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CONFIDENTIAL#17
6 March 76

GENERAL

1. Council of Foreign Ministers--Dunn reports that Soviet Deputy Gusev has finally agreed to invite the Italian Government to submit to the Council further memoranda regarding the peace settlement with Italy. The Deputies have also tentatively agreed that representatives of Italy (and other interested states) should eventually be given an opportunity to discuss with the Deputies the main provisions of the treaty, when further progress has been made in drafting those provisions. Dunn believes that Gusev's reversal of his previous position was undoubtedly influenced by the statement that the US would feel obligated to act independently in inviting the Italian Government to submit its views.
2. Reaction to Byrnes' speech--Preliminary State Department reports on foreign reaction to Secretary Byrnes' 28 February foreign policy speech include the following: (a) the speech was ignored by the Moscow press; (b) the Rumanian censor reportedly prohibited the publication of any part of the speech; (c) the full text of the Secretary's speech was communicated to the Yugoslav press on 1 March, but there was no mention of it in any of the papers the following day; (d) in Bulgaria the speech was printed in considerable detail but with slight shifts of meaning in translation that distorted the significance of the Secretary's comments; (e) Government reaction in Vienna was exceptionally enthusiastic.
3. British Food Minister enroute to US--Embassy London advises that British Food Minister Ben Smith is leaving for Washington. It is understood that, in addition to British requirements, he will support food requests presented by Indian representatives now in the US.

DIA,, OSD, DOS review(s)
completed.Document No. 020
NO CHANGE in Class. ☐
DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763
Date: 01 MAR 1978 By:

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EUROPE-AFRICA

4. AUSTRIA: Food shortages in Vienna--General Clark reports that for the current week only the US met its full food commitments for Vienna. As a result, the ration scale again fell below the theoretical level of 1,550 calories. The situation promises to deteriorate further, since both the Soviets and the French remove food from their zones and the ration scale in the UK zone after 1 April is uncertain. Clark proposes to meet future defaults in quadripartite food deliveries by reducing rations in the US zone when necessary and diverting the saving to Vienna.
5. HUNGARY: Political tension rises--Schoenfeld reports increasing political tension and growing apprehension by Government officials that a crisis is imminent. Communists are increasing their press attacks on the rightists. According to a "trustworthy" source, a high political police official has proof that the Communist Central Committee has issued orders to commence demonstrations and strikes. Schoenfeld believes, however, that the Soviets, for fear of resulting adverse world publicity, will hesitate to overthrow the existing coalition Government unless their current objectives of economic penetration cannot otherwise be achieved.
6. HUNGARY: Reported American racketeering--Schoenfeld reports that there may be a real basis for widespread reports that Americans in Budapest are indulging in black market, racketeering and other illegal transactions. He points out the danger to American prestige if anti-American groups were to seize upon these activities for propaganda purposes.
7. USSR: US requests texts of economic agreements--The State Department has requested Embassy Moscow to make another effort to obtain from the Soviet Government the texts of all USSR trade agreements with Rumania, Hungary and Bulgaria.

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8. IRAN: Qavam postpones Moscow departure--Embassy Moscow reports that Prime Minister Qavam, apparently after a conversation with Stalin, postponed his departure from Moscow until 7 March.

The Shah is depressed by the non-withdrawal of Soviet troops and fears future USSR action. He believes that the Soviets will disregard Security Council disapproval and will withdraw from the UNO if the opposition is too vigorous. He considers that Britain no longer possesses sufficient power to defend his country, whose only hope, therefore, is the US.

US note to Moscow--The State Department's note to the USSR of 5 March regarding the retention of Soviet troops in Iran includes the following points: (a) this Soviet action was taken without the consent and over the protest of the Iranian Government; (b) in answer to the US proposal that troops be withdrawn by 31 December 1945, the USSR replied that the Tripartite Treaty of 1942 provided for withdrawal six months after the cessation of hostilities; (c) this commitment was not questioned at the recent meetings of the Security Council; (d) the US cannot remain indifferent to the failure of the USSR to withdraw its troops; (e) there was general agreement in the Security Council that the retention of troops by one of the United Nations on the territory of another, against the latter's will, was contrary to the principles of the United Nations; (f) the US earnestly hopes that the USSR will immediately withdraw all its forces from Iran.

9. YUGOSLAVIA: Loan of US minesweepers--

[redacted] Yugoslavia wishes to accept the loan of a number of US minesweepers on lease to the British and presumably to use them for clearing Dalmatian waters. Ambassador Patterson and ALUSNA Belgrade agree that if US ships are to continue carrying UNRRA supplies to Yugoslavia, the practical benefits of the transfer may offset the political implications of turning over ships to the Tito Government.

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FAR EAST

10. CHINA: Soviet disposition of Manchurian industries--In a reply to a US note of 11 February concerning Sino-Soviet negotiations on the disposition and control of Manchurian industries, Molotov claims that enterprises "which served the needs of the Japanese Kwantung Army" may be exploited through Sino-Soviet stock companies as "trophy of the Red Army," and have no connection with reparations. Such exploitation will not lead to exclusive Sino-Soviet industrial control, he claims, since "only a portion of the industrial enterprises" will be so administered.

The State Department has directed Embassy Moscow to advise the Soviet Government that the US (a) concurs in the Chinese Government's view that Soviet claims "far exceed the scope of war booty", (b) does not accept any interpretation of war booty to include industrial enterprises, (c) cannot recognize any final disposition of Japanese external assets made without its prior approval, (d) is convinced that discussions on Manchurian industrial development should take place only after the Chinese Government has resumed administrative control over Manchuria.

11. CHINA: US Consul General sails for Dairen--Admiral Cooke has directed that the US merchant vessel SS CHECK KNOT be dispatched from Shanghai at 1300 on 6 March (Shanghai time) to transport Consul General Sturgeon to his new post. The ship should arrive in Dairen at approximately 1200 on 9 March (Dairen time). Dairen authorities are being notified via Chungking and Moscow.

THE AMERICAS

12. NICARAGUA: Plot against Somoza--The Embassy and the Military Attache report that President Somoza's brother-in-law, Colonel de Bayle, has declared his intention to lead an attempt to overthrow Somoza within the next two weeks.

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